

Message Text

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43

ACTION EB-11

INFO OCT-01 EUR-25 NEA-14 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 FEAE-00 FPC-01 H-03

INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04

PRS-01 USIA-15 DRC-01 /191 W
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R 180900Z SEP 74

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TO SECSTATE WASHDC 1258

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BRUSSELS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY VIENNA

UNCLAS BAGHDAD 622

E.O. 11652: N/A

TAGS: ENRG, IZ

SUBJECT: IRAQI OIL POLICY

1. MINISTER PETROLEUM HAMMADI ISSUED STATEMENT IN BEIRUT
SEPT 16 STATING THAT TWO BASIC STEPS NEEDED TO MAINTAIN
PRICE STRUCTURE ARE PROGRAM FOR PLANNED PRODUCTION AND
CLOSING OF GAP BETWEEN MARKET PRICE AND PRICE TO MAJOR
COMPANIES. EXCERPTS FROM STATEMENT FOLLOW:

2. ROOT OF PROBLEM IS DUALITY IN OIL PRICES IN FAVOR OF
MAJOR COMPANIES AND EXISTENCE OF SURPLUSES IN OIL PRODUCTION.
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FOUR-FIFTHS OF OIL PRODUCED BY OPEC STATES IS GOVERNED BY

CONCESSIONARY TERMS AS AMENDED BY PARTICIPATION ARRANGEMENTS. AS RESULT MAJOR COMPANIES CONTINUE TO PAY PRICE BELOW MARKET PRICE. GAP BETWEEN MARKET PRICE AND PRICE PAID BY MAJOR COMPANIES GIVES COMPANIES PROFITS BIG ENOUGH TO RESELL OIL AT PRICES LOWER THAN NATIONAL OIL COMPANIES. COMPANIES CAN THEREFORE BRING DOWN REALIZED PRICES AND EXERCISE SUSTAINED PRESSURE FORCING PRICE STRUCTURE DOWNWARD THROUGH SUPPLYING OIL AT LESS THAN MARKET PRICES. GAP PLACES MAJOR COMPANIES IN MORE COMPETITIVE POSITION THAN NATIONAL OIL COMPANIES.

3. GAP MUST BE NARROWED BY MAKING OIL COSTLIER TO MAJOR OIL COMPANIES THROUGH INCREASING TAX LEVIED TO OFFSET THEIR EXORBITANT PROFITS AND RESTORE STRONG COMPETITIVE POSITION TO NATIONAL OIL COMPANIES. SURPLUS OF OIL INCREASES NEGATIVE EFFECT OF PRICE GAP AND NATIONAL OIL COMPANIES WILL HAVE TO REDUCE OIL PRICES OR FORFEIT THEIR MARKETS UNLESS SURPLUS REDUCED.

4. OPEC RESOLUTION OF SEPT 13 IS IMPORTANT STEP IN DIRECTION NARROWING PRICE GAP, BUT FAR FROM ENOUGH AND SHOULD BE FOLLOWED UP WITH MORE DRASTIC ONES. RESOLUTION MEANS FOR BASRA OIL, FOR EXAMPLE, AN INCREASE IN ROYALTIES TO 16.67 PER CENT AND IN TAX RATE TO 65.75 PER CENT. THIS WILL NOT BE ENOUGH TO CLOSE GAP AND MONOPOLY COMPANIES SHALL MAINTAIN SUPERIOR COMPETITIVE POSITION. OPEC RESOLUTION CONCERNING OPTIONAL REDUCTION IN OIL PRODUCTION A STEP FORWARD TOWARDS EQUILIBRIUM IN THE OIL MARKET BUT LEAVES MUCH TO BE DESIRED. IRAQ PLACES LIBERATING OIL AND ENHANCING POSITION OF NATIONAL OIL COMPANIES ABOVE ALL ELSE. END HAMMADI EXCERPTS

5. EDITORIAL IN BAATH ATH-THAWRA ON SEPT 16 SUPPORTED HAMMADI STATEMENT BY ACCUSING WASHINGTON AND SAUDI ARABIA OF LEADING CAMPAIGN TO DECREASE PRICES AND BY REITERATING POINTS MADE IN PRESIDENT AL-BAKR'S LETTER TO FORMER PRESIDENT NIXON OF JANUARY 23, 1974. EDITORIAL STRESSED THAT REAL VALUE OF OIL FAR SURPASSES CURRENT PRICES AND THAT OIL SHOULD BE VIEWED NOT ONLY AS SOURCE OF FUEL BUT AS BASIC MATERIAL FOR PRODUCTION OF PETRO-CHEMICALS. EDITORIAL CONCLUDES THAT IT IS IN INTEREST OF EVERYONE UNCLASSIFIED

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THAT PRICE OF OIL SHOULD CORRESPOND TO PRICES OF INDUSTRIAL PRODUCTS, BUT THAT IMPERIALISTIC OIL MONOPOLIES MUST NOT BE ALLOWED TO BENEFIT FROM FUTURE INCREASES IN PRICES NOR SHOULD CONSUMER GOVERNMENTS RAISE TAXES ON OIL PRODUCTS. IT CALLS FOR "DIRECT AND FRUITFUL COOPERATION BETWEEN PRODUCING AND CONSUMING COUNTRIES LEAVING OUT IMPERIALIST MONOPOLIES". LOWRIE

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